

Affordable Energy Coalition Submission to the NS Electricity System Review (2014)
Protecting and Promoting Equitable and Universal Access to Electricity

December 10, 2014

The Affordable Energy Coalition (AEC) is a group made up of individuals and community organisations committed to equitable and universal access to energy, and eradicating energy poverty. Electricity is necessary to maintain adequate housing and in particular lighting, cooking, and for about 30% of Nova Scotians heating. The AEC believes that equitable and universal access to electricity is a key value that should be protected and promoted in our electricity system.

As part of its comprehensive, open ended Electricity System Review process, the AEC recommends that the Electricity System Review consider a model of electricity regulation that ensures that *all* households have access to electricity.¹

The issue of energy poverty directly impacts the electricity system. While some would suggest that addressing energy poverty requires social policy better left to other government departments, the failure to engage meaningfully with energy poverty in this Review would represent a missed opportunity of gigantic proportions. The “silo” effect, where government policy-makers operate in a vacuum and ignore the unintended consequences of their actions on the assumption they lie outside their mandate, has led to ineffective government policy. The better approach is to analyse and address the likely outcomes of the electricity system at their source, and for the Minister of Energy to act as a leader or catalyst with other government departments in implementing energy poverty policies that will create a better overall *social* system.

Energy poverty in Nova Scotia occurs when people have unsustainable energy burdens and their access to energy is undermined. The fact is that low income households have precarious access to electricity now. Inadequate income is the primary reason for disconnection of electrical service. Arrears build up. Low income households are forced to use food banks or to stop buying medicine so they can pay electricity bills. Or they lose their electricity which means they can't store or prepare food or lead a normal life. In some cases they cannot heat their homes for a time.

¹ For the purposes of this Electricity System Review, the AEC will limit its observations to the electricity system, but it is important to keep in mind that more than half of low income households rely on other sources of energy for home heating and that initiatives to tackle energy poverty should address this broader reality.

Universal Service and Access to Electricity in Nova Scotia

A key value or principle in our system of electricity must be that of equitable and universal access to electricity. The issue of access, from a human rights point of view, must include more than simply making a service available.

To achieve *equitable and universal* service, which lies at the core of our government's commitment to electricity regulation, we must ensure that electricity service is accessible.

Accessibility has two relevant components:²

1. The direct and indirect costs should not prevent people from accessing the service.
2. Access to electricity service should not undermine access to other necessities of life, such as adequate housing, food and health.

The current regulatory system in Nova Scotia does not take into account the circumstances of low-income households, and thus undermines their access to electricity. Denial of electricity leads to social and economic costs for individuals and society and adversely impacts health.³ Equitable access to energy will increase participation in the work force, housing affordability, health and educational success, in a manner consistent with the goals of the Ivany report. Given these wider social benefits, any review of the electricity system must include a framework for action to strengthen accessibility.

The London Economics draft review of energy affordability

The Electricity System Review provided the AEC with a draft "appendix" which purported to contain information regarding affordability programs (presented in the form of a PowerPoint presentation, the document was 5 pages in length). The AEC was advised this information forms the complete background research commissioned by the ESR on energy affordability and strategies to address the problem. The document we were provided lacked a statement of purpose, outline, research method, analysis or complete references. It fails to adequately describe or analyse current strategies to address energy poverty or accessibility concerns in the electricity sector. The contrast with the extraordinary depth of detail the consultants provided on other aspects of the electricity system is telling.

Despite the fact that electricity **affordability, particularly for residential consumers**, is one of the central issues that led to the Electricity System Review, the ESR has failed to make available data or research that would assist those conducting the review in making recommendations to government concerning a strategy to address the problem of energy poverty.

With those reservations, it appears to us that the London Economics draft appendix supports the following principles, with which the AEC agrees:

² See UN statements on right to an adequate standard of living, in particular in relation to food and housing

³ NSUARB, *Re Affordable Energy Coalition*, 2008, Case Number M05474, record of evidence, see in particular direct evidence of Paul O'Hara, Patricia Williams, Roger Colton, Charlie MacDonald, Bruce Porter, Carol Horne, Lannon, Whiteman, McNaughton, Boulter, Carvery, <http://uarb.novascotia.ca/fmi/iwp/cgi?-db=UARBv12&-loadframes>

- Across the board energy subsidies are unwise. This would include Nova Scotia's Your Energy Rebate Program. We agree with the assessment that this is not effective and should be removed and replaced by more targeted affordability assistance.
- Energy poverty must be addressed by policy makers.
- A regulated electricity affordability program, through the electricity regulatory system, would best be met through "vouchers or minimum income payments" so as to avoid price distortion. The AEC proposal for a Universal Service Program meets these criteria where the tariff structure remains the same and the bill credits or energy discounts for low income customers are an efficient form of "voucher".

The London Economics draft appendix contains a summary of three Universal Service Programs under the term "universal support program". These are similar to the AEC proposal (see next section). While we recognize that other energy affordability options exist a USP model has the benefit of years of implementation and evaluation in many jurisdictions and we believe it is the best option.

If there is a better system – show us and other Nova Scotians. If there is not, tell us why this system is not worth implementing in our province. Nova Scotians deserve no less.

Framework for Action: A universal service program

In the context of addressing the issue of affordability in this Electricity System Review, the Affordable Energy Coalition recommends the introduction of a Universal Service Program.

The AEC supports continued electricity regulation by an independent agency. The AEC supports the role of an independent Consumer Advocate for residential consumers.

The AEC supports the amendment of the *Public Utility Act*, to support a utility funded electricity based Universal Service Program.

The AEC supports the USP model for other energy sources, such as home heating oil.

A Universal Service Program (USP)

A Universal Service Program is a four part program that would protect and promote low income households' access to electricity by

1. **Rate Affordability** - matching their electricity costs to their limited incomes;
2. **Arrears Management** - dealing with arrears in an affordable, predictable way;
3. **Emergency Relief** - providing relief to deal with all genuine emergencies; and
4. **Energy Efficiency upgrades** -upgrading tenant homes to reduce energy usage, while continuing to upgrade homes owned by low income households.

Such programs run successfully in many US jurisdictions. A USP would ensure low income households have access to electricity both for electric heat and for other essential services like cooking, refrigeration and lights.

Existing programs

The current approach to providing relief to electricity insecure low-income households In Nova Scotia is piecemeal, fragmented and fails to target resources efficiently. Below is a brief overview of current programming:

1. **Rate Affordability** – the Heating Assistance Rebate Program (HARP) pays up to \$200/year per household to help cover heating costs from all sources including electricity. HARP does not cover baseload (non-heat) electricity and it does not respond to electricity burden – the % of income a household pays for electricity. It is taxpayer funded and administered by Service NS.
2. **Emergency Relief** - the Good Neighbour Program offers up to \$400/household once every 3 years for households struggling with emergencies in paying their heating bills. It does not cover baseload electricity. The criteria for relief vary from year to year and is based upon the availability of funds. Funded by charitable donations and taxes, the Salvation Army administers it.
3. **Major Efficiency Upgrades** – there is an admirable commitment to provide major efficiency upgrades to all low income homeowners by 2024. Clean Foundation will administer the program for electrically heated homes funded by NS Power grants. Over 50% of low income households are tenants. About 30% of all households are heated with electricity. There is no dedicated funding for efficiency upgrades in electrically heated rental housing comparable to the funding for electrically heated homeowner housing.

From fragmented relief to genuine access to electricity

Existing programs provide only partial relief. Low income households continue to face electricity disconnection, arrears they cannot hope to pay back, choosing among essentials: food or heat, medications or electricity for cooking and lights. A Universal Service Program would ensure low income households have access to electricity.

Rate Affordability: A USP would reduce a household’s electricity energy burden to an affordable amount based on a “rate credit” designed to reduce low income households’ electricity costs to affordable levels, roughly 8% of income on electricity for an electrically heated home, 4% of income for baseload electricity.

Arrears Management: An arrears program would reduce crippling arrears that low income households experience due to the unaffordable cost of basic electricity services, leading to interrupted service. Arrears would be partially forgiven over 3 years for any household that pays its affordable electricity rate consistently, with a co-pay of 1% of income.

Emergency assistance: Assistance would ensure low income households facing loss of income due to job loss, illness or other emergency would have continued access to electricity.

Major Efficiency Upgrades: There would be a commitment to apply major efficiency upgrades for low income tenants similar to the current commendable commitment to offer major efficiency upgrades to all low income homeowners by 2024. Efficiency upgrades would be coordinated with other elements of the program, reducing the costs of rate relief by targetting highest users first. Education/community mobilization programs would create an efficiency culture among participating low income households.

Avoiding wasteful electricity use

Some fear that reducing electricity costs for low income households will lead to profligate use of electricity. Generally, low income households use less energy than higher income households because they have fewer appliances and smaller homes. The USP is designed to create a financial incentive for conservation by enabling customers to keep the savings from lower electricity use for up to a year. Wasteful use of electricity is often due to uncomfortable buildings – overheated or drafty rooms. Efficiency retrofits will help reduce these problems. Education programs have proven successful in reducing electricity waste as well.

Administration

The success of a Universal Service Program would depend on a single point of access for applicants for all 4 program elements. Coordination with HARP would also be beneficial since there is considerable overlap in the target population. Service NS administers the HARP program, including reviewing proof of income documents and customer bills. Service NS could administer the USP program.

The transition to a broader Universal Service Program

A Universal Service Program typically reduces electricity costs to 3-4% of income if there is no electric heat and 6-8% of income for electrically heated homes. A truly comprehensive solution would include other forms of energy as well. Funding constraints make such a comprehensive program difficult.

We recommend a more limited Universal Service Program as a major step toward universal access to energy, starting by making electricity costs affordable. Program design features could keep the cost affordable even under current cost constraints.

Funding a Universal Service Program

A Universal Service Program could be funded in one of 2 basic ways or a combination of each:

Funding Alternative I: A utility funded program

The proposed Universal Service Program could be established as a required service funded by the electrical utility to ensure access to electricity as an essential service. Cost offsets are expected to reduce the total cost of supplying this service. These would include:

- NS Power's reduced direct costs for collections and bad debt
- NS Power's reduced costs for capital currently tied up in collections/bad debt

Electricity efficiency programming could continue to be funded as it is now, from NSP charitable donations and Department of Energy funding.

Funding Alternative II: Taxpayer funding

The cost of a Universal Service Program would be modest compared with \$116 million in the 2014-15 budget for sales tax rebates under the Your Energy Rebate Program and \$12 million for the Heating Assistance Rebate Program. It would also save money currently spent on those and other programs, such as:

- Reduced HARP payments⁴
- Savings in Employment Support and Income Assistance payments to cover electricity arrears⁵

A targeted Universal Service Program vs. broader income support

Some suggest that the provincial government faces a choice of providing targeted assistance to low income households to ensure they have access to essential services through programs like the Universal Service Program or to provide broader income supports so that low income households are no longer in poverty and can afford essentials such as energy. While we agree that income supports to eliminate poverty are desirable, this cannot be an excuse for inaction on eliminating energy poverty through a targeted program.

The reality is that many low income households cannot afford to pay for electricity and this is not likely to change in the near future. To govern smartly, programs from different government departments need to be coordinated to reduce poverty as well as overall government costs like health care and to secure the greatest impact for the funds spent.

Funding a Universal Service Program would be a smart, meaningful step toward broader income relief. It would ensure access to essential electricity services. Electricity affordability has been a major political issue in NS for decades but especially in recent years as the cost of fossil fuels and therefore electricity has increased dramatically. Significant progress has been made in increased energy conservation. Now is the time to design an effective program to ensure low income Nova Scotians can afford electricity as an essential service.

The Broten Tax and Regulatory Review

The 5 year freeze in program expenditures proposed in the Broten Tax and Regulatory Review would make broad income assistance highly unlikely as well as undermining other public programs that improve life for low income households. The Broten recommendations would dramatically increase electricity and other energy costs for low income households and provide some targeted relief through tax credits meant to counteract those increased energy costs. This would be beneficial environmentally but there is insufficient information to date to determine what the net effect would be on low income households. It is absolutely clear that

⁴ The HARP budget is \$12 million; cost reduction depends on program design.

⁵ ESIA spends in the range of \$1 million/year on this. Savings would depend on program design.

the funds for targeted relief would be much more effective if they were used to fund a Universal Service Program for all forms of home energy use.

Recommendation

The Affordable Energy Coalition recommends that the Government of NS introduce the necessary amendments to the *Public Utility Act* to support the implementation of a universal service program to address electricity poverty in Nova Scotia.

The Utility and Review Board would then be enabled to review options for the design of a universal service program in consultation with electricity system stakeholders to make electricity affordable to low income households.

Conclusion

A Universal Service Program would be a significant, low cost measure to reduce poverty, increase workforce participation and save money through reduced health and social costs by ensuring access to electricity through an affordable electricity burden for low income households. It would significantly improve the effectiveness of the electricity system by ensuring that all Nova Scotians regardless of income can benefit from the essential services provided by electricity.

Submitted by

Brian Gifford and Claire McNeil
For the Affordable Energy Coalition